

Docket No. 00-0537  
ICC Staff Exhibit 2

DIRECT TESTIMONY  
OF  
CHARLES C. S. IANNELLO

POLICY PROGRAM  
ENERGY DIVISION  
ILLINOIS COMMERCE COMMISSION

NORTHERN ILLINOIS GAS COMPANY D/B/A NICOR GAS COMPANY

APPLICATION FOR AN ORDER APPROVING AN AGREEMENT FOR THE PROVISION OF  
FACILITIES AND SERVICES AND THE TRANSFER OF ASSETS BETWEEN NICOR GAS  
COMPANY AND NICOR INC. AND ITS SUBSIDIARIES

DOCKET NO. 00-0537

APRIL 6, 2001

OFFICIAL FILE

I.C.C. DOCKET NO. 00-0537  
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Witness \_\_\_\_\_  
Date 6/21/01 Reporter aw

1    **Q.    Please state your name and business address.**

2    A.    My name is Charles C. S. Iannello. My business address is 527 East Capitol Avenue,  
3       Springfield, Illinois 62701.

4    **Q.    By whom are you employed and in what capacity?**

5    A.    I am an Economic Analyst in the Policy Program of the Energy Division of the of the Illinois  
6       Commerce Commission ("Commission").

7    **Q.    What are the responsibilities of an Economic Analyst in the Energy Division's Policy**  
8       **Program?**

9    A.    An Economic Analyst in the Energy Division's Policy Program conducts research and economic  
10       analyses of the gas and electric industries, reviews filings and prepares recommendations to the  
11       Commission, identifies policy issues in Commission dockets and prepares written and oral  
12       testimony that sets forth opinions and positions on pertinent policy issues.

13

14   **Q.    State your educational background and professional experience.**

15   A.    I hold a Bachelor of Science degree in Economics with a concentration in Finance from the  
16       State University of New York College at Buffalo, and a Master of Science degree in  
17       Economics from the University of Wyoming with fields in both Regulatory and Environmental  
18       Economics. Prior to attending graduate school, I was employed by Smith Barney Incorporated

19 as a financial consultant's assistant. During graduate school I worked as a research and  
20 teaching assistant in the Department of Economics at the University of Wyoming. I have been  
21 employed by the Commission since September 1998.

22 **Q. Have you previously testified before this Commission?**

23 A. Yes, I have previously testified before this Commission.

24 **Q. What is the purpose of your testimony in this proceeding?**

25 A. The purpose of my testimony is to recommend a course of action for the Commission in the  
26 instant proceeding, noting that the Commission is currently considering rules governing Non-  
27 Discrimination in Affiliate Transactions for Gas Utilities in Docket No. 00-0586.

28 **Q. Please provide background information on Docket No. 00-0586.**

29 A. Docket No. 00-0586 is a rulemaking proceeding initiated by the Commission August 29, 2000,  
30 to address transactions between gas utilities and their affiliates. Parties to the proceeding have  
31 commented on issues including cost allocation, cross-subsidization, information sharing, transfer  
32 of goods and services, marketing and advertising, and other utility actions that might potentially  
33 lead to discrimination against non-affiliated entities. Initial, reply, and rebuttal comments have  
34 been filed, and a hearing examiner's proposed order is pending. First notice of the proposed  
35 rulemaking was published in the Illinois Register on September 22, 2000. It is my  
36 understanding that rulemakings must be completed within one year from the date of first notice,

37 so I expect the rulemaking to be completed no later than September 22, 2001. The last  
38 Commission session scheduled before September 22, 2001 is on September 12, 2001.

39 **Q. In light of the pending issues in Docket No. 00-0586, what course of action do you**  
40 **recommend for the Commission in the instant proceeding?**

41 **A.** I have two recommendations. My first recommendation is predicated on the instant proceeding  
42 finishing before a final order is issued in Docket No. 00-0586. If this occurs, I recommend that  
43 the Commission's order in the instant proceeding explicitly require Northern Illinois Company  
44 ("Nicor Gas") to refile its operating agreement should the Commission adopt any future gas-  
45 affiliate rules which conflict with the operating agreement's provisions.

46 My second recommendation is predicated on Docket No. 00-0586 finishing before the instant  
47 proceeding. If this occurs and the Commission adopts gas-affiliate rules which conflict with the  
48 proposed operating agreement's provisions, I recommend that the Commission reject Nicor  
49 Gas' proposed operating agreement and require the company to refile the operating agreement  
50 with amendments to the conflicting provisions.

51 **Q. Does this conclude your testimony?**

52 **A.** Yes.